IN THE UNITED STATES DISTRICT COURT

FOR THE WESTERN DISTRICT OF TEXAS

WACO DIVISION

AFFINITY LABS OF TEXAS, LLC,	§	
Plaintiff,	§	
	§	
v.	§	**CIVIL ACTION NO. W-15-CV-029**
	§	
AMAZON.COM, INC.; AMAZON	§	
DIGITAL SERVICES, INC.,	§	
Defendants.	§	

ORDER

This case was referred to the United States Magistrate Judge for the Western District of Texas, Waco Division, for findings and recommendations, pursuant to 28 U.S.C. § 636(b). The Court received the Magistrate Judge's report, which was filed on June 12, 2015. Plaintiff filed objections to the report and recommendation on June 26, 2015, and Defendants filed a response to Plaintiff's objections on July 13, 2015, thus requiring a *de novo* review on appeal of the findings and recommendations. 28 U.S.C. § 636(b)(1)(C). *United States v. Kallestad*, 236 F.3d 225 (5th Cir. 2000).

Plaintiff brings this action asserting an infringement of its U.S. Patent No. 8,688,085 ("the '085 Patent"). Defendants filed a Motion for Judgment on the Pleadings under Fed.R.Civ.P. 12(c). The Magistrate Judge, in a careful and thorough review of the case and applicable law, has recommended that Defendants' motion be granted. Having conducted a *de novo* review, including Plaintiff's objections, Defendants'

response, and the entire file in this case, the Court is persuaded that the Magistrate Judge's findings and recommendation should be adopted.

FACTUAL HISTORY

Plaintiff Affinity Labs of Texas, LLC ("Plaintiff" or "Affinity") is an innovation consulting firm that owns a large portfolio of technology-based patents. Defendants Amazon.Com, Inc. and Amazon Digital Services, Inc. (collectively "Defendants" or "Amazon") are on-line retailers which offer a system to download and store music and videos. Affinity asserts Amazon's services are in violation of its '085 Patent.

THE '085 PATENT

The '085 Patent, entitled "System and Method to Communicate Targeted Information," is identified as a means for "wirelessly communicating selective information to an electronic device." Exhibit A to Original Complaint ("Exhibit A"). The Patent was issued April 1, 2014. The Abstract for the Patent describes it is:

> A method for targeted advertising is disclosed. The method includes accessing at least one piece of demographic information associated with a user of a portable device, selecting an advertisement to be delivered to the user based at least in part on the demographic information, and initiating communication of a version of the advertisement configured for presentation at the portable device.

Exhibit A. Affinity asserts the '085 Patent is a continuation of previously issued patents reaching back to U.S. patent application Ser. No. 09.537,812 filed on March 28, 2000,

and which is now U.S. Pat. No. 7,187,947, issued on March 6, 2007. *Id.* Claim 14 is representative of the other claims:

> 14. A media system, comprising:
> a network based media management system that maintains a library of content that a given user has a right to access and a customized user interface page for the given user;
> a collection of instructions stored in a non-transitory storage medium and configured for execution by a processor of a handheld wireless device, the collection of instructions operable when executed: (1) to initiate presentation of a graphical user interface for the network based media managing system; (2) to facilitate a user selection of content included in the library; and (3) to send a request for a streaming delivery of the content; and
> a network based delivery resource maintaining a list of network locations for at least a portion of the content, the network based delivery resource configured to respond to the request by retrieving the portion from an appropriate network location and streaming a representation of the portion to the handheld wireless device.

Id.

ANALYSIS

Defendants seek dismissal of Plaintiff's complaint on the ground that the '085 Patent is invalid under 35 U.S.C. § 101 for failing to claim patentable subject matter. Defendants base their motion on the recent Supreme Court case in *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, ---- U.S. ----, 134 S.Ct. 2347, 189 L.Ed.2d 296 (2014).

The parties do not dispute the Magistrate Judge's recitation of the applicable law related to Rule 12(c) motions and § 101 eligibility. Plaintiff does, however, object to the Magistrate Judge's application of the law as it relates to the '085 Patent. The conclusion

reached by the Magistrate Judge is that the '085 Patent is not valid under § 101 as it involves an abstract idea, and "[l]aws of nature, natural phenomena, and abstract ideas are not patentable." *Alice Corp.*, 134 S.Ct. at 2354. These categories are not patent-eligible because "they are the basic tools of scientific and technological work . . ., free to all men and reserved exclusively to none." *Mayo Collaborative Servs. v. Prometheus Labs*, ---- U.S. ----, 132 S.Ct. 1289, 1293 (2012) (citations omitted). However, an invention is not rendered ineligible for patent protection merely because it involves an abstract concept. *Alice*, 134 S.Ct. at 2354; *Diamond v. Diehr*, 450 U.S. 175, 187 (1981). "Applications of such concepts to a new and useful end, . . . , remain eligible for patent protection." *Alice*, 134 S.Ct. at 2354 (quotation marks and citations omitted). The Court finds no error in the Magistrate Judge's findings, and finds no support for Plaintiff's specific objections.

A. Rule 12(c). A motion under 12(c) is analyzed under the same standard as a motion to dismiss under Rule 12(b)(6). *Truong v. Bank of America, N.A.*, 717 F.3d 377, 381 (5th Cir. 2013) (quoting *In re Great Lakes Dredge & Dock Co.*, 624 F.3d 201, 209-10 (5th Cir. 2010)); *In re Deepwater Horizon*, 710 F.3d 338 (5th Cir. 2013). The standard under both sections is whether, "in the light most favorable to the plaintiff, the complaint states a valid claim for relief." *Gentilello v. Rege*, 627 F.3d 540, 543-44 (5th Cir. 2010) (quoting *Doe v. MySpace, Inc.*, 528 F.3d 413, 418 (5th Cir. 2008)).

In many patent cases, the § 101 inquiry is postponed until after claim construction; however, this "is not an inviolable prerequisite. . . ." *Content Extraction & Transmission LLC v. Wells Fargo Bank, Nat'l Ass'n*, 776 F.3d 1343, 1349 (Fed. Cri. 2014). Claim construction or a *Markman* hearing would add nothing to the evaluation of the patent in this case because there are no factual issues identified nor claims requiring construction which would preclude the legal determination that the '085 Patent does not consist of an inventive concept. Two recent cases out of the Federal Circuit have affirmed the invalidity of patents under § 101, analyzing them through the framework of Rule 12(b)(6) motions to dismiss. *See Internet Patents Corp. v. Active Network, Inc.*, 790 F.3d 343 (Fed.Cir. 2015); and *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359 (Fed.Cir. 2015). As Rule 12(b)(6) and Rule 12(c) motions are analyzed under the same standard, there is no basis for objection regarding the timing or the analysis of this case under Rule 12(c).

C. The '085 Patent. The Magistrate Judge did not err in determining that the '085 Patent is an abstract idea. While Affinity argues that the '085 Patent is tangible and concrete, the independent claims of the Patent involve only an abstract idea–"delivering selectable media content and subsequently playing the selected content on a portable device." (R&R at 12, 14). This is, as the Magistrate Judge noted, a longstanding commercial practice. While the '085 Patent claims may contain technological terms, the Patent is, at its core, nothing more than an abstract idea. Just as in *Alice*, "all of these

computer functions are 'well-understood, routine, conventional activit[ies]' previously known to the industry." *OIP Techs.*, 788 F.3d at 1362 (quoting *Alice*, 134 S.Ct. at 2359).

Once the Magistrate Judge determined that the '085 Patent involved an abstract idea, he correctly moved to the second step of the analysis – whether the elements of each claim "both individually and 'as an ordered combination,'" transforms "the nature of the claim into a patent-eligible application." *Internet Patents Corp.*, 790 F.3d at 1346 (quoting *Alice*, 134 S.Ct. at 2355). The second step is a "search for an 'inventive concept'–i.e., an element or combination of elements that is 'sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible] concept itself.'" *Id.* As in *Alice*, the '085 Patent amounts to "nothing significantly more than an instruction to apply the abstract idea . . . using some unspecified, generic computer." *Alice*, 134 S.Ct. at 2360 (citing *Mayo*, 132 S.Ct. at 1298). The Magistrate Judge correctly determined that the '085 Patent claims do not provide an inventive concept, either individually or in combination. The '085 Patent solves no problems, includes no implementation software, designs no system. The mere "statement that the method is performed by computer does not satisfy the test of 'inventive concept.'" *Internet Patents*, 790 F.3d at 1348-49 (quoting *Alice*, 134 S.Ct. at 2360).

Additionally, the Magistrate Judge did not err in his application of the "technological arts" test to determine whether the '085 Patent involved an inventive

concept. The appropriate legal analysis was applied irrespective of the name of the test which Affinity would like to attach to it in an effort to articulate an objection.

Affinity's objection to the Magistrate Judge's factual determinations regarding what was conventional and routine at the time of the invention is also without merit. A § 101 determination is a question of law, and "[c]ourts frequently make findings when deciding purely legal questions." *Cal. Inst. Of Tech. v. Hughes Commc'ns Inc.*, 59 F.Supp.3d 974, 978 n. 6 (C.D. Cal. 2014). Patent "[e]ligibility questions mostly involve general historical observations, the sort of findings routinely made by courts deciding legal questions[,]" and "[t]he Federal Circuit has noted that § 101 analysis is 'rife with underlying factual issues.'" *Id.* (quoting *Ultramercial, Inc. v. Hulu, LLC*, 722 F.3d 1335, 1339 (Fed. Cir. 2013)). Further, several Federal Circuit cases have made general historical observations in ruling on a similarly analyzed 12(b)(6) motion. *See, e.g., Content Extraction*, 776 F.3d at 1347; *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1354-55 (Fed. Cir. 2014); *Ultramercial*, 722 F.3d at 722-23 (Mayer, J., concurring); *Content Extraction*, 776 F.3d at 1347. Therefore, the Magistrate Judge's reliance on the patent specification and taking judicial notice of well-known, general historical observations was not error.

Nor did the Magistrate Judge err in determining that the '085 Patent failed the "machine-or-transformation" test. A claimed process can be patent eligible under the machine-or-transformation test if "(1) it is tied to a particular machine or apparatus, or

(2) it transforms a particular article into a different state or thing." *Bilski v. Kappos*, 561 U.S. 593, 601 (2010) (quotation marks omitted). Only the first prong was addressed in this case. R&R, at 18-19. As the Magistrate Judge explained:

> [A] general purpose computer, coupled with the internet, has been found to be a "ubiquitous information-transmitting medium, not a novel machine," thus failing the machine test. *Ultramercial III*, 772 F.3d at 716-17.
>
> . . .
>
> In reviewing representative claim 14, the Court finds it fails the "machine or transformation" test. Specifically, in analyzing claim 14, Affinity merely takes the abstract idea mentioned above and applies it to the Internet and a generic, electronic device–in this case, a wireless handheld device operating as a "ubiquitous information-transmitting medium, not a novel machine." *Ultramercial III*, 772 F.3d at 716-17. Although Affinity alleges the components in Claim 14 are specialized, the court finds the claim merely sets forth routine and generic processing and storing capabilities of computers generally. The claim described a "network based media managing system," in other words a generic database, with a "non-transitory storage medium"–which could be any kind of memory. '085 Patent col. 20 1.7, 10. The claim further describes a "network based delivery resource," which is merely a network that sends and receives data [media content] in a streaming form. *Id.* at 19, *see e.g., buySAFE*, 876 F.3d at 1355 (finding that "sending" and "receiving" data over a network is "not even arguably inventive"); *Ultramercial III*, 772 F.3d at 717 ("transfer of content between computers is merely what they do"); *Wolf*, 2014 WL 7639820, at *12 (holding a "computer network server" to be a generic piece of technology).

R&R, pp. 19-20. Affinity's objection and argument fails to persuade the Court to depart from the Magistrate Judge's sound reasoning.

Affinity further argues that the Magistrate Judge failed to hold Defendants to their burden of proving that each dependent claim was invalid by clear-and-convincing

evidence, making only a conclusory analysis of the '085 dependent claims. A court's § 101 analysis of dependent claims that fail to add an inventive concept are generally briefly addressed. *See Content Extraction*, 776 F.3d at 1348-49. Because the Court agrees with the Magistrate Judge that the claims in this case "add only trivial limitations insufficient to confer patentability[,]", the Magistrate Judge did not err in his dependent claims analysis. R&R, p. 23.

Affinity next objects that the Magistrate Judge erred in his preemption analysis. The Court disagrees. The Magistrate Judge concluded that "[a]llowing the asserted claims to survive would curb any innovation related to the implementation of the abstract idea on potentially any portable device that utilizes the internet." R&R, pp. 26-27. Even if the '085 Patent were not ineligible under the *Mayo/Alice* test, it would be under theories of preemption because, as Amazon notes, the '085 Patent would prohibit anyone from playing media on a portable device "without risking an infringement suit by Affinity." Defendant's Reply to Plaintiff's Response to the Motion for Judgment on the Pleadings, p. 6. The '085 Patent would create an unreasonable risk of burdening all present and future ways of downloading media and threaten further innovation.

Recent cases out of the Federal Circuit involved patents similar to Affinity's and held those patents invalid as abstract ideas, going beyond the limitations which Affinity would impose–that only mathematical algorithms and fundamental economic practices are eligible for the abstract-idea exception. *See Internet Patents Corp. v. Active*

Active Network, Inc., 790 F.3d 343 (Fed.Cir. 2015); and *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359 (Fed.Cir. 2015).

Finally, Affinity objects to the Magistrate Judge's order striking the Declaration of Dr. Kevin C. Almeroth, which expressed his expert opinion that the '085 Patent was not preempted and was an inventive concept. The Court finds no error in the Magistrate Judge's ruling as the issues in this case were able to be evaluated through an analysis of the patent itself. Accordingly, it is

ORDERED that the Magistrate Judge's findings and recommendation are **ADOPTED**. It is further

ORDERED that Defendants' Motion to Strike Declaration of Dr. Kevin C. Almeroth (Doc. # 56) and Motion for Judgment on the Pleadings (Doc. # 47) are **GRANTED**. It is further

ORDERED that any motions not previously ruled upon by this Court or the Magistrate Judge are **DENIED**.

SIGNED this 23rd day of September, 2015.

WALTER S. SMITH, JR.
UNITED STATES DISTRICT JUDGE